

MINUTES
MICHIGAN STATE TRANSPORTATION COMMISSION MEETING
November 16, 2006
Lansing, Michigan

Meeting noticed in accordance with Open Meetings Act, Public Act 267 of 1976.

Present: Ted B. Wahby, Chair
 Linda Miller Atkinson, Vice Chair
 Maureen Miller Brosnan, Commissioner
 Vincent J. Brennan, Commissioner
 James R. Rosendall, Commissioner
 James S. Scalici, Commissioner

Also Present: Kirk Steudle, Director
 Larry Tibbits, Chief Operations Officer
 Frank E. Kelley, Commission Advisor
 Marneta Griffin, Commission Executive Assistant
 Jerry Jones, Commission Auditor, Office of Commission Audit
 Patrick Isom, Attorney General's Office, Transportation Division
 John Friend, Bureau Director, Highway Delivery
 John Polasek, Bureau Director, Highway Development
 Rob Abent, Bureau Director, Aeronautics and Freight Services
 Bill Shreck, Director, Office of Communications
 Susan Mortel, Bureau Director, Transportation Planning
 Tim Hoeffner, Administrator, Intermodal Policy
 Wayne Roe, Jr., Finance and Administration
 Craig Newell, Statewide Systems Management
 Mark VanPortFleet, Highway Development

A list of those people who attended the meeting is attached to the official minutes.

Chair Wahby called the meeting to order at 9:00 a.m. in the Bureau of Aeronautics Auditorium in Lansing, Michigan.

I. COMMISSION BUSINESS

Commission Minutes

Chair Wahby entertained a motion for approval of the minutes of the State Transportation Commission meeting of October 26, 2006.

Moved by Commissioner Brosnan, with support from Commissioner Brennan, to approve the minutes of the Commission meeting of October 26, 2006. Motion carried.

II. **DIRECTOR'S REPORT – DIRECTOR KIRK STEUDLE**

This month's Director's Report will be shared with John Friend, Bureau Director, Highway Delivery.

Director Steudle's presentation focused on:

Local Jobs Today

Current State Local match – \$48,735,841; Jobs Today match (MML and CRAM) – \$48,735,841 (FY 2006 – \$9,686,657, FY 2007 – \$39,049,184); project cost (MML and CRAM) – \$312,493,643 (FY 2006 – \$60,363,661, FY 2007 – \$252,129,982).

Projects approved (MML and CRAM) – 221 (FY 2006 – 58, FY 2007 – 163); HPP projects approved – 55; total HPP Jobs Today match – \$27,163,998; total HPP project cost – \$165,711,344.

Transportation Costs

Since mid-2004, inflation in highway and street construction has far outpaced other construction sectors. Many factors are causing an increase in the cost of doing highway business. Most notably, the recent increase in oil prices has made estimating hot mix asphalt (HMA) prices extremely difficult and has resulted in prices well beyond the inflation indexes of the past decade. Oil prices have an effect on most other aspects of construction as well due to increased trucking costs caused by high fuel costs. Increased natural gas prices have led to increases in HMA costs, since it is one of the primary methods for heating the HMA binders. Natural disasters such as Hurricane Katrina have sent large amounts of construction materials to the southern states and have depleted reserves. Therefore, the price of many products used in highway construction has increased. The economic boom in China and other countries has led to many raw and refined materials being shipped overseas to support the rapidly expanding construction industry. This has also depleted the reserve sources on material and increased costs. Revenue increases have not kept pace with the cost of living. Our purchasing power has diminished. Thus, our ability to keep roads and bridges in good condition is hindered.

The American Road and Transportation Builders Association researches and reports on the price of materials used in transportation projects. The price of materials used for highway construction increased by 12.6 % in 2005, while the price of general goods increased only 3.4 %. The price of materials in 2006 has continued to rise well above the general goods increase.

The producer price of Asphalt Paving Mixture and Block has risen significantly in the past year. All of the products (asphalt, sand, gravel, stone, and concrete) are well above the long-term growth rate of 3 %. The Producer Price Index (PPI) program by the U.S. Department of Labor measures the average change over time in the selling prices received by domestic producers for their output.

MDOT has not researched the costs of all earthwork, however, subbase and aggregate base materials have both increased and decreased over the past two years. Thus, identifying true cost change is difficult. Other states have seen significant increases.

Michigan's increase for asphalt prices in 2005 was roughly 9%. This past year, prices increased about 15% through June. Many states were in the 10-19% range in 2005; almost half the states had increases in excess of 20% in 2005.

Michigan's increase for concrete in 2005 was 46% from the previous year. Michigan's price has decreased by over 8% in 2006 through June. This slide shows that most states reporting had cost increase between 20 and 50%. When reviewing Michigan's history during 2005 and 2006 we have had a significant increase in costs. Nationally Ready Mix Concrete has risen over 20% in the past 2 years.

On average, Michigan saw 4.53 bids per project in 2005. Michigan is doing very well in terms of being able to receive a number of bids on construction projects. This reflects a very competitive contracting community here in the state.

Michigan has not experienced an increase in the number of single bids over the past 2-3 years. We are satisfied that our projects are being let competitively with multiple contractors competing for our work.

In terms of competitiveness, Michigan does not have an issue with their numbers (asphalt resurfacing percentages) changing for single bids greater than 50%. Other states are seeing their number of single bids change significantly.

Summary

Transportation material costs have risen significantly as compared to other construction industries; HMA costs have increased over 20% in the last two years; Michigan is fortunate when it comes to the number of bidding contractors for each project.

Commissioner Brosnan asked, if we are seeing the growth line increase by more than 3% in Michigan, is it also increasing nationally; is there any consideration that we may need to change that number so that we are better able to estimate and budget.

Mr. Friend answered yes. Specifically, as we start scoping for cost estimating for our Five Year Program (FYP), we are having to build in a significantly greater percentage in terms of inflation so that you can estimate the reasonable costs to be expected.

Commissioner Brosnan then asked how we are dealing with this internally as it is being debated.

Mr. Friend responded that every year call instructions are issued to the staff that looks at developing the out-year of the Five Year Program. Within those instructions we tell them that as they estimate this work today, "this" is the rate of inflation that should be anticipated so that accurate costs are predicted in the actual year of construction. Usually we figured on 3%, but it will be something significantly greater than that when we issue instructions in January.

Commissioner Brosnan asked if it would be a standard number used or a number that continues to move as the economy changes.

Mr. Friend answered that he believes it will be a number that moves over the years; a number reflective of Michigan.

Commissioner Brennan asked, given the volatility of the change in prices of oil and natural gas, how is MDOT accounting for this when they estimate construction costs for raw materials including asphalt. Should we now be considering a way to keep the cost estimates in line with the constant change in prices of these two commodities?

Mr. Friend stated that there are a couple things we do to try and predict to the best of our ability where the area of hot mix asphalt is going. We watch the national indicators as well as obtaining information from some real professional contractors that provide information on what they think is going to happen. Between these two things, we can predict where the area of hot mix asphalt is going to go with a reasonable sense of accuracy. Further, if we estimate high and the price comes in low and there is money savings in a project, it is very easy for us in our current system to flux that savings over into additional projects.

Director Steudle added that one of the things that will benefit us is this continued letting of our projects early. We have learned over the last 10 years that giving our contracting community time to plan through the winter has been a big benefit to us; we get much more organized projects, we have the ability to get them completed sooner, and it tends to take some of the guess work out.

Commissioner Rosendall agreed with Commissioner Brennan in that everyone has a risk assessment that they include, and we all share in that risk.

Mr. Friend responded that it sounds like some form of indexing. Personally he would like to see things ride for a little bit and see where these indicators go and see what happens with our bidding, rather than jump into some kind of formal indexing process. There may come a time where that is the right thing to do. Sometimes when we over-react and move too quickly, it doesn't work out as well for us.

Commissioner Rosendall, with all due respect, stated that we have been riding the wave for a year and a half already. Every time we turn around it's because of asphalt, concrete, or something else. The time is now to do something because the next wave of spring bids will be coming in and everyone will be hedging their bet on what asphalt is going to do next summer. What do we have to gain when we have already been waiting?

Director Steudle proposed that this subject be put into workshop form, and possibly bring in some major contractors to allow them to give their perspective on what's happening as well.

Chair Wahby agreed that a workshop would be a good idea, and asked Director Steudle to work with Mr. Kelley on setting that up.

Commissioner Atkinson stated that what troubles her is the assumption that this is an anomaly and we are just riding it out. It's probably not and we'll probably see this

happen again and again. This really underscores the need for a workshop that takes into account repeated events.

No other comments or questions were forthcoming.

III. **OVERSIGHT**

Commission Agreements (Exhibit A) – Wayne Roe, Jr.

Mr. Roe stated that information on 30 projects and agreements were given for review; Item #30 (Passenger Transportation-Intercity Capital; Contract 2007-0350) is subject to completion of internal review. Pending any questions, Mr. Roe asked for approval of Exhibit A.

Commissioner Rosendall stated that he had questions pertaining to Items 23 (Passenger Transportation-Intercity Bus Program) and 29 (Passenger Transportation-Section 5311(f) Intercity Operating Program).

Mr. Roe deferred to Sharon Edger, Administrator with Bureau of Passenger Transportation.

Commissioner Rosendall asked what we were currently paying Indian Trails in the Lower Peninsula.

Ms. Edger answered that their current contract has a \$2.57 per mile state subsidy. The UP route has always run consistently higher than the northern lower.

Commissioner Rosendall then asked what their reasoning was when Greyhound informed MDOT that they did not want to extend their contract.

Ms. Edger responded that they said the cost was too high. We asked them if they would consider a negotiated increase and they responded that they were not interested in discussing an extension of any type.

Commissioner Rosendall asked if there were other companies to consider or is this pretty much it.

Ms. Edger answered that Indian Trails is the only other scheduled route carrier in Michigan besides Greyhound.

Commissioner Rosendall asked if there were other companies that could have met the qualifications.

Ms. Edger responded that there can be other out-state companies that can, on occasion, meet the qualifications. Generally Greyhound and Indian Trails have been the two primary bidders in both the Northern Lower and the Upper Peninsula. We have had some small out-state companies who have bid before. Sometimes they meet the qualifications, sometimes they don't, but there has not been a consistent interest from out-state. The Upper Peninsula is so isolated; the cost of operating in an area so far from your base for

another company can be a hindrance to moving your operations up there.

Commissioner Rosendall asked if those two areas have ever been combined and bid together or have they always been separate.

Ms. Edger answered that they have always been separate. By Indian Trails providing both services now, they are going to be connecting their routes in the UP to their routes in the Northern Lower Peninsula, which are subsidized and connect at St. Ignace. Then the Northern routes connect to unsubsidized services in Southern Michigan. This will give us a chance to look at whether or not there are options to connect Northern and Lower service differently. St. Ignace serves as a good connection point. We are working with the City of St. Ignace to develop a permanent facility there for passengers to connect.

Commissioner Rosendall explained that his reason for asking is, with more service area, it would make it more appetizing for someone to come in and do business in Michigan.

Ms. Edger agreed with the Commissioner, and responded that the last time we bid in the UP we actively sought other bidders. We went through the entire Russell's Guide and looked throughout the area; however there is just not enough interest.

Commissioner Rosendall asked if Greyhound provided their own busses.

Ms. Edger answered that Greyhound receives busses from us for their service in Michigan, but they were not using state funded busses in the UP; they use them primarily in their unsubsidized service in Southern Michigan.

Commissioner Rosendall asked if we were now buying busses for Indian Trails and paying them more per mile.

Ms. Edger answered that the contract with Greyhound was \$2.81 (versus \$2.57 with Indian Trails--\$.24 difference). The amount that Indian Trails bid in this proposal is not out of line with what we received as their bid three years ago. We would have expected an increase in the contract because of the gas prices.

No other questions were forthcoming.

Chair Wahby entertained a motion. Motion was made by Commissioner Brennan and supported by Commissioner Atkinson to approve Exhibit A. Motion carried on a unanimous voice vote.

Supplemental Commission Agreements (Exhibit A) – Wayne Roe, Jr.

Mr. Roe stated that the documentation has been given for review, and, pending any questions he asked for approval of Supplemental Exhibit A.

Chair Wahby announced that he is abstaining from the vote to avoid any impropriety.

Commissioner Brennan asked if this is our annual supplement to the Port Authority with the same amount as every year.

Mr. Roe responded yes.

No other questions were forthcoming.

Chair Wahby entertained a motion. Motion was made by Commissioner Brennan and supported by Commissioner Rosendall to approve Supplemental Exhibit A. Motion carried on a unanimous voice vote.

Bid Letting Pre-Approvals (Exhibit A-1) – Wayne Roe, Jr.

Mr. Roe gave a brief re-cap of the November 2006 bid letting activities: 39 State projects with total engineers' estimates of \$94.2 million were let. The low bids announced on these projects totaled \$89.6 million. The average low bid of all 39 State projects is \$2.3 million. Of the low bids announced, four projects with low bids totaling \$1.1 million have yet to be determined. Twenty-one projects with total low bids of \$74.8 million had warranties. e-Proposals were provided for each of the 39 State projects let. In November 2005, 34 State projects were let with low bids totaling \$33.7 million, an average of \$991 thousand.

As of October 23, 2006, it was estimated that 407 State projects with construction costs totaling \$905.8 million would be let during the 2007 fiscal year. Through November of this year, 80 items with engineers' estimates of \$151.1 million have been let. Through November 2006, 16.7% of the total amounts projected to be let have been let. For this period, the total low bids are \$141.9 million compared to 87 projects let through November 2005 with low bids totaling \$82.2 million.

The total number of bids submitted for this letting was 390, of which 140 were submitted for State projects. There was an average of 4.8 bids submitted for each project that was let, and an average of 3.6 bids for each State project. Of the 418 contractors eligible to submit bids using Bid Express, 142, or 34%, submitted bids for this letting.

In addition to the State projects let, 36 Local projects let included projects in the *Jobs Today Jobs Tomorrow* program.

There are currently 34 State projects with engineers' estimates totaling \$168.9 million scheduled to be let on December 1, 2006; 17 of these items have warranties. None of the items scheduled to be let included projects in the *Jobs Today Jobs Tomorrow* program.

Pending any questions, Mr. Roe asked for approval of Exhibit A-1.

No questions were forthcoming.

Chair Wahby entertained a motion. Motion was made by Commissioner Brosnan and supported by Commissioner Brennan to approve the November bid letting. Motion carried on a unanimous voice vote.

There is no Exhibit A-2 for this month.

Information Items (Exhibit A-3) – Wayne Roe, Jr.

Mr. Roe reported that this exhibit item is for information only. This item had a single bidder with the actual bid being less than 10% over the engineers' estimate. There is no action required.

Chair Wahby asked for questions; none were forthcoming.

Contract Adjustments (Exhibit B) – John Friend

Mr. Friend has 4 MDOT projects (no Local Agency projects) before the Commission. Pending any questions, Mr. Friend asked for approval of Exhibit B.

No questions were forthcoming.

Chair Wahby entertained a motion. Motion was made by Commissioner Atkinson and supported by Commissioner Rosendall to approve Exhibit B. Motion carried on a unanimous voice vote.

Audit Report - Michigan Department of Transportation, International Bridge Administration (Exhibit C) – Jerry Jones

Mr. Jones stated that this operational audit report on the International Bridge Administration. The audit covered the period March 24, 2001 through August 31, 2005. The purpose of our audit was to provide an independent evaluation of Administration's processes, as further defined in the scope of the Audit Report. For the internal controls reviewed, we determined that the Administration operated in substantial compliance with policies and procedures, the Intergovernmental Agreement, and regulations, as applicable.

We believe the recommendations contained in this report will strengthen internal control, improve administrative practices, and strengthen compliance with applicable policies, procedures, and regulations. In their response to the Audit, the Administration and Department concurred with the recommendations made. That response is attached to the Report.

Mr. Jones recommended that the Commission accept this report and response, and asked for questions.

No questions were forthcoming.

Mr. Jones then called on Commissioner Brosnan for her response.

Commissioner Brosnan stated that she has reviewed the report along with the Administration and Department response to the audit. She has had the opportunity to discuss the report and the response with the Commission Auditor, and recommends that the Commission accept the report and response.

Chair Wahby entertained a motion. Motion was made by Commissioner Brosnan and supported by Commissioner Scalici to approve Exhibit C. Motion carried on a unanimous voice vote.

IV. **POLICY**

Draft Tribal Affairs Policy – Dave Ruggles, Tribal Affairs Coordinator

On May 12, 2004, Governor Granholm signed Executive Directive 2004-5 to carry out commitments from the 2002 Government to Government Accord with Michigan's federally acknowledged Indian tribes. The Michigan Department of Transportation (MDOT) proposes a policy to ensure that MDOT continues to operate in accordance with the Governor's Executive Directive 2004-5, and federal law. This directive reaffirms the recognition of and fully supports the government-to-government relationship that exists between the State of Michigan and the states federally acknowledged Indian tribes, and is in keeping with MDOT's mission to provide the highest quality integrated transportation services for economic benefit and improved quality of life. Through this policy, MDOT will pursue a proactive and consistent process in tribal affairs.

MDOT shall appoint an individual (Tribal Affairs Coordinator) to be responsible for department-wide coordination of the Tribal Affairs program which operates under the guidance of the Director and the Chief Administrative Officer. The tribal affairs coordinator shall annually report departmental interaction with the governments of the federally acknowledged Indian tribes to the Governor's Advisor on Tribal-State Affairs.

MDOT shall prepare Tribal Affairs Program procedures/guidelines consistent with directives from the Governor's office, which shall identify the roles and responsibilities of the department and coordinator in the function and administration of these government-to-government relationships. Commensurate with federal and state laws, regulations and policies, the department will incorporate early and continuous government-to-government consultations with federally recognized tribes on any issues that may impact tribal interests including, but not limited to the following:

State Transportation Long Range Plans, pending and/or proposed policies, rules, legislation and/or regulations, State Five Year Transportation Program, State Transportation Improvement Program, Memorandums of Agreement/Understandings, Project Accord Agreements, Asset Management, Access Management, Context Sensitive Solutions, Tribal Affairs Annual Report, and Indian Reservation Roads Inventory.

The Tribal Affairs Coordinator will be responsible for facilitating the implementation of the Tribal Affairs Program Procedures/Guidelines. The executive for tribal affairs (Chief Administrative Officer), in consultation with the tribal affairs coordinator, shall prepare a Tribal Affairs Annual Report, which includes an outreach plan for presentation to the Commission for review and comment.

Mr. Ruggles asked for questions.

Commissioner Atkinson asked how the Transportation Commission will be advised specifically of issues, impacts, and conflict solutions when they are called upon to act on plans or programs that affect the tribes or tribal roads. For example, in implementing the *Jobs Today* Program, the question arose as to whether the BIA roads were included within the plan. We did not have any answer when one was needed. Commissioner Atkinson went on to say that she did not see anything in the policy that specifically institutionalizes a reporting mechanism to the Commission.

Mr. Ruggles answered that the policy itself did not get to the level of setting up procedural meetings or contextual meetings of issues as they emerge. That may be something that needs to be addressed in the policy. From the policy, guidelines are to be developed with procedures which will really get to further enumeration and explanation of how we are going to articulate what we do at MDOT. Mr. Ruggles expects that in these guidelines any procedural issues relative to this would likewise be covered.

Director Steudle added that they could strengthen the wording in paragraph three which refers to an Annual Report. This Annual Report can also be presented to the Commission at a Commission meeting so that it is not a Report that comes through in the mail. Director Steudle welcomed all comments to the draft policy prior to returning in January 2007 when the department will ask for approval of the policy.

Commissioner Atkinson stated that that would be helpful and that paragraph three would be a good place to put the verbiage.

No other questions were forthcoming.

Chair Wahby announced, due to a change in schedule because of the Thanksgiving holiday, a five minute recess as he must leave the meeting early to attend another commitment in Flint; Vice Chair Atkinson will take over the meeting from this point.

V. **PRESENTATIONS**

Annual Context Sensitive Solutions Update – Mark VanPortFleet, Highway Development Design

Training

Developed Context Sensitive Solutions (CSS) Awareness Training (over 800 MDOT staff were trained; planning a second wave of training), and held CSS training for MPO's (seven sessions already held; 140 MPO representatives trained).

Outreach and Partnering

Held annual stakeholder meeting in February; the first MDOT/stakeholder steering committee meeting will be in December. We participated in outreach in Ann Arbor, Three Rivers, SEMCOG University, Howell, and Kalamazoo.

Tool Development

MDOT held a stakeholder engagement workshop. “Engagement” in this sense means a commitment to work with stakeholders in developing our program and projects in a way that looks beyond just our needs, and looks into a community and environmental value to develop projects that fit within the community. We developed several tools: Opportunity Curve (shows the best time to get input); Engagement Matrix (shows what types of engagements might be consistent with which types of work); and Levels of Engagement.

National Participation

We have been very successful in the national scene within the last year. Mr. VanPortFleet was a steering committee member that established a national conference held this past September. There are many states that have done very little to none in the arena of CSS. This was a way to expose them to concepts, successful measures, and to energize them to start doing CSS as a way of doing business. We have participated in National panels to select CSS Project Award winners, as well as have staff representation on a NCHRP Project Panel that is currently looking at methods of measurement and ways to look at cost benefit types of relationships between CSS.

MDOT Focus

CSS is part of MDOT’s Strategic Plan. We have created an MDOT/Stakeholder Steering Committee which will hold their first meeting on December 4th, and created a web site for CSS at http://www.michigan.gov/mdot/0,1607,7-151-9621_41446---,00.html.

Mr. VanPortFleet asked for questions; none were forthcoming.

Draft Five Year Transportation Program – Craig Newell, Manager, Statewide Systems Management

As with the previous Five Year Transportation Program (FYP), this program is multi-modal. It includes five years of investments for the Highway, Aviation, Transit, Rail, and Marine and Port programs. This FYP continues to implement the *Jobs Today* Initiative that began in 2006. Nearly \$180 million dollars will be invested in *Jobs Today* projects in 2007 and 2008. We continue to focus on system preservation and safety while ensuring that the program supports job creation and economic opportunities. MDOT will invest nearly \$8.9 billion dollars over the five year timeframe with a balanced and comprehensive program to support and grow Michigan’s economy and protect Michigan’s quality of life.

The five year Highway Program exceeds estimated revenue by approximately \$130 million dollars (2 %). This is due to decreasing state revenues and increasing project costs. The 2003 Preserve First Program and the 2006 *Jobs Today* Initiative allowed us to advance projects to meet system condition goals and stimulate the economy. Because we were able to advance this work, the Highway Program in Fiscal Years 2009-2011 is smaller than the 2007 and 2008 programs.

It is anticipated that we will achieve the 2007 pavement condition goal of 90% of trunkline pavements in good condition, however as mentioned in the past we will not be able to sustain that condition level with the current investment. We will be unable to

achieve the 2008 overall bridge condition goal of 92% of all bridges in good condition, with this program; however, we were able to achieve the goal of having 85% of all non-freeway bridges in good condition and will be able to sustain that condition level into the future.

Federal Revenue Assumptions

Highway Program – Of the Federal funds coming to Michigan, it is estimated that \$3.9 billion will be available for the state trunkline Highway Program over the five year timeframe. This funding level assumes an 87% obligation authority limit. Roughly \$111 million in earmarks are dedicated to Highways in this FYP. Revenues for the non-highway programs are supported by a number of program-specific state and federal revenues.

Aviation Program – Aviation funding assumes the continuation of federal funds based on the Century of Aviation Reauthorization Act known as Vision 100.

Local Transit – The majority of the State's federal transit funding is not included in MDOT's FYP, because it is granted directly to local transit agencies and does not go through the Department. Of the federal transit funds that will come to MDOT, formula assistance for non-urban operations, including intercity bus, will realize the greatest revenue growth under SAFETEA LU. The two SAFETEA-LU "New Start" earmarks totaling \$114.4 million, are not included in this FYP because we are not yet certain when the federal funds will be awarded and if the lead on these projects will be MDOT or local.

Rail and Marine Programs – Federal funding for rail passenger and marine passenger programs is intermittent, based on congressional earmarks and special projects. For the purpose of this plan, no federal rail or marine funding was included.

State Revenue Assumptions

Highway Program – Total state Highway Program revenue available for this FYP, including bond revenue, and accounting for debt service is estimated at \$2.6 billion for capital outlay and routine maintenance. This state highway revenue estimate is down from the previous estimate by approximately \$153 million (about 5%). As you have authorized, we anticipate selling \$618 million in Grant Anticipated Revenue Vehicle (GARVEE) notes to support the *Jobs Today* projects and Match SAFETEA-LU Earmark projects.

Aviation Program – This program assumes a slight decrease in state aviation revenues due to reduced receipt of state aviation fuel taxes. Funding from Airport Safety and Protection (ASAP) Program bonding is included through December 2007 which is when the bond authorization expires.

Comprehensive Transportation Fund (CTF) – 2007 saw full restoration of the sales tax to the CTF. This FYP is based on the increased appropriation levels, and we are projecting a larger Five Year CTF program. However, current CTF revenue projections suggest revenues to the fund may not support the FY 2007 program as appropriated.

FY 2007-2011 Program Strategy

Our program continues to emphasize providing a safe and secure transportation system. We are making government effective, efficient and inclusive. For example, we hold transportation summits, FYP listening sessions, numerous partnering meetings, and involve the public early in context sensitive solutions. This program supports economic development opportunities that create jobs and stimulate the economy. It protects natural resources and air quality through wetland banking, with the Congestion Mitigation and Air Quality or (CMAQ) Program, and also by funding vanpool and carpool lot programs encouraging shared rides and reducing congestion.

The implementation of the Aviation, Transit, Rail, Marine and Port programs is subject to the annual appropriation of state and federal funds. State appropriations, in particular the CTF, can be volatile. Much of the State's infrastructure for these programs is owned and operated by local and private entities, not MDOT, and they ultimately make the investment decisions. For these reasons this FYP is only project specific for the Highway Program.

Investments

This 2007-2011 FYP investment totals \$8.88 billion. Approximately ¼ of these investments are dedicated to funding Multi-modal transportation. Nearly \$1.5 billion is dedicated towards the public transit, marine, and rail programs, \$780 million will be invested in aviation, and roughly \$6.6 billion in our state highway system. This Highway Program investment level exceeds estimated revenues by approximately \$130 million dollars, roughly 2%.

Factors that have contributed to this overage include reduced gasoline revenues due to increasing fuel costs and more fuel efficient vehicles, as well as higher natural gas and oil prices that have driven up the cost of asphalt. The increased cost of raw materials is another contributing factor.

It is anticipated that transportation revenue will change with the next federal reauthorization bill after SAFETEA-LU expires at the end of 2009. We will continue to monitor revenues as well as construction costs and feel that the \$130 million overage is manageable within this \$6.6 billion Highway program over the 5 year timeframe.

The total Highway investment decreases after 2007 as the *Preserve First* and *Jobs Today* programs come to an end (FY 2007, \$1.624 billion; FY 2008, \$1.336 billion; FY 2009, \$1.221 billion; FY 2010, \$1.219 billion; FY 2011, \$1.228 billion).

The department will invest the \$2.251 billion in our Multi-Modal Programs over the next 5 years as follows: Airport Improvement – \$154 million annual average, \$769 million FYP total; Air Service and All Weather Access– \$1.3 million annual average, \$6.5 million FYP total; total Aviation – \$155.3 million annual average, \$776 million FYP total; total Bus, Marine, Rail (includes local transit, intercity bus, passenger rail, marine and port, as well as rail freight investments) – \$295 million annual average, \$1.475 billion FYP total.

Supporting Economic Opportunities

MDOT is currently working with the Univ. of Michigan to analyze the economic benefits of the 2007-2011 Highway Program. Using the Regional Economic Model (REMI model) this study will calculate benefits resulting from the implementation of the Highway Program road and bridge projects. This study will capture both the direct effects (construction jobs, MDOT jobs) and spin-off effects (such as purchases from local suppliers, and spending by people who receive income attributable to activities related to transportation policy). The direct effects, plus the spin-off effects, provide the total impact our highway program will have on Michigan's economy. A similar study found that the previous FYP created nearly 31,000 jobs and we anticipate this study to show similar results. A key component of this analysis is the *Jobs Today* program which is supporting over 3,200 jobs by accelerating work in 2007 and 2008. The results of the study will be available within the final program document in January.

Preserving the System

Nearly \$1 billion annually is invested in preserving and maintaining the department's roads and bridges. With this FYP, each year we will rehabilitate approximately 265 miles of road, repair over 300 bridges, and maintain 1,500 miles of good/fair roads with the Capital Preventive Maintenance Program. Roughly half of the \$477 million Capacity Improvement Program preserves existing pavement adjacent to new lanes.

Governor Granholm's Preserve First Initiative comes to an end in 2007. This program placed an increased emphasis on preserving our highway system. It has allowed us to improve the condition of our roads and bridges by dedicating \$500 million for preservation efforts between 2003 and 2007. Preserve First invests approximately \$183 million in additional road and bridge preservation work in 2007.

Year 2007 is the second year of implementation for the Governor's State Trunkline *Jobs Today Initiative*. This initiative creates employment opportunities statewide and will stimulate the economy over the next two years. MDOT plans on investing approximately \$52 million in 2007 *Jobs Today* road preservation projects.

In addition to the Trunkline Jobs Today initiative, Governor Granholm also announced the *Local Jobs Today* program in 2006. Approximately \$80 million MDOT dollars will be used to provide grants to match federal aid for projects, allowing local agencies to get projects started sooner, preserving roads, creating jobs and stimulating the economy.

The pavement condition in 2007 is projected to be 92% good, thus achieving the condition goal. However, the pavement condition will begin to decline after 2007 at the current investment level. The department is currently analyzing strategies that will help maintain the recent strides we've achieved in pavement system condition in an effort to reduce this forecasted decline.

The bridge condition in 2008 is projected to be approximately 87% good, falling shy of the condition goal. The good news is that we have achieved and are able to sustain the non-freeway bridge condition goal of 85% good.

The majority of MDOT's multi modal program consists of preserving the existing infrastructure and service levels. Most of the federal and state multi-modal funding managed by MDOT will be focused on preserving, maintaining, and enhancing safety for locally owned aviation infrastructure, preservation of existing local transit services by providing operating assistance to service providers, preservation and maintenance of the existing locally-owned transit infrastructure, support of local capital strategies by matching federal capital grants and, preservation and maintenance of existing intercity bus and rail services by providing financial assistance to service providers.

The department will invest in various runway rehabilitation projects, as well as bus and railroad track replacement and rehabilitation projects. Use of state and federal dollars to support the operations of local transit, specialized services, intercity bus, and passenger rail, are key components of our preservation based investment strategy for public transportation. The Michigan Rail Loan Assistance Program (MIRLAP) continues in 2007. This program operates as a revolving fund and is designed to help preserve and improve Michigan's rail freight infrastructure by awarding non-interest bearing loans to fund eligible rail infrastructure improvement projects.

Safe and Secure Transportation System

Providing a safe and secure transportation system is one of the key elements of this FYP. MDOT is investing in safety in an effort to reduce fatalities to 1,000 motorists by 2008. Some of our safety efforts include investing \$297 million in the comprehensive safety program to improve signs, signals, guardrails, pavement markings and intersections.

In addition to railroad grade crossing safety improvements through the Local Grade Crossing Program, MDOT will be providing assistance to local governments and railroad companies in order to develop and implement projects that enhance safety at public crossings.

The department will continue implementation of the All Weather Airport Access Program, enabling airports to be accessible to pilots during inclement weather conditions by using GPS technologies, Ground Communications Outlets, and by providing real-time, accurate weather information to pilots and the aviation community through the Automated Weather Observation System.

Air Quality, Operations and Natural Resources

With the additional funding provided under SAFETEA-LU this FYP invests \$204 million in the CMAQ Program. We expect safety improvements will also be eligible for this funding, providing the added benefit of not only improving air quality and congestion but also improving the safety of the system.

A total of \$62 million will be invested in the Intelligent Transportation System (ITS) Program.

Investments for other programs total \$617 million. These include federal programs such as Enhancement, Railroad Crossings, Noise Abatement, Pump Stations, Freeway Lighting, and Safe Routes to Schools. Also included are state programs such as

Economic Development, Advanced Right of Way Acquisition, and the Michigan Institutional Roads program.

Expanding the System

The Transportation Economic Development Fund (TEDF) Program supports economic development opportunities throughout Michigan. TEDF investments will support Michigan's target industries and help relieve urban congestion.

The Highway Capacity Improvements and New Roads Program is a \$585 million program aimed at relieving congestion; \$127 million of this investment is made possible by the *Jobs Today* Initiative.

Major Capacity Improvement Projects to be let to contract in 2007 include: the I-196 at Chicago Drive interchange in Kent County; the I-75 Ambassador Gateway project in Wayne County providing direct freeway access from the Ambassador Bridge to I-75 and I-96; and, the M-59 from I-96 to Michigan Avenue reconstruction and widening project in Livingston County.

Next Steps

We will collect and incorporate any of your comments into the draft, post the draft document on the website for public review and comment, hold listening sessions with the public from Nov. 29th – Dec. 4th (2 per region; Metro region has 5), and return to the Commission in January 2007 for final approval of the FYP.

Mr. Newell asked permission to post the document to the web, and conduct the public listening sessions.

Budgetary Reporting Requirements

MDOT's appropriation bill requires that the department provide to the Legislature, the State Budget Office, and the House and Senate Fiscal Agencies, a copy of this FYP before February 1st of each year.

Commissioner Brosnan asked if there was a list of listening session locations.

Mr. Newell answered that he would provide copies for the Commission.

No other questions were forthcoming.

Vice Chair Atkinson entertained a motion. Motion was made by Commissioner Brosnan and supported by Commissioner Scalici granting permission for the department to post the document to the web and conduct listening sessions. Motion carried on a unanimous voice vote.

VI. **PUBLIC COMMENTS**

Vice Chair Atkinson asked if any member of the audience wanted to address the Commission.

Mr. Bill MacInnis, General Manager of MSO Construction USA Ltd., expressed that prior to the meeting he was losing faith that MDOT was doing their job. However, he complimented the department on answering his questions.

No other comments were forthcoming.

Vice Chair Atkinson asked if any Commissioner wanted to address the Commission.

No comments were forthcoming.

ADJOURNMENT

There being no further business to come before the Commission, Vice Chair Atkinson declared the meeting adjourned at 10:48 a.m.

There will not be a December 2006 meeting. The next full meeting of the Michigan State Transportation Commission will be held on January 25, 2007, in the Bureau of Aeronautics Auditorium in Lansing, Michigan, commencing at the hour of 9:00 a.m.

Frank E. Kelley
Commission Advisor